



PERFORMANCE AUDIT REPORT

Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 2011**

Legislative Post Audit Committee

Legislative Division of Post Audit

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June 30, 2011

To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors*.

The report includes recommendations for SRS to enforce certain contract requirements for its foster care contractors. It also includes a recommendation to help ensure that SRS staff has up-to-date information to oversee contractors.

We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

Scott Frank
Legislative Post Auditor

READER'S GUIDE

<i>The Big Picture</i>		<i>The Details</i>	
Audit Highlights	The highlights sheet, inserted in each report, provides an overview of the audit's key findings	"At-a-Glance Box"	Used to describe key aspects of the audited agency; generally appears in the first few pages of the main report
Conclusions and Recommendations	Located at the end of the audit questions, or at the end of the report	Side Headings	Point out key issues and findings
Agency Response	Included as the last Appendix in the report	Charts, Tables, and Graphs	Visually help tell the story of what we found
Table of Contents, and lists of figures and appendices	Lets the reader quickly locate key parts of the report	Narrative Text Boxes	Highlight interesting information or provide detailed examples

This audit was conducted by *Laurel Murdie, Brad Hoff, Shane Morrissey, Joseph Cullen, and Ivan Williams*. *Chris Clarke* was the audit manager. If you need any additional information about the audit's findings, please contact Laurel Murdie at the Division's offices.

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Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors

Foster care-related services have been provided by non-governmental not-for-profit entities since 1997, when the Department of Social and Rehabilitation Services (SRS) privatized child welfare services. Beginning July 1, 2009, SRS entered into new contracts to provide foster care services in Kansas with four contractors— KVC Behavioral Healthcare (KVC), Saint Francis Community Services (SFCS), TFI Family Services Incorporated (TFI), and United Methodist Youthville (Youthville). The contracts are for four years and have options for up to two two-year renewal periods. Under the terms of these contracts, the contractors receive a base payment each month to cover their fixed costs and a monthly per-child rate for each child in out-of-home placement.

Recently, legislators have expressed concerns that the monthly per-child rate paid under these new contracts may create a financial incentive for contractors to keep children in the foster care system and not return them to their homes or recommend other permanent placement. Legislators also expressed concerns about whether SRS' oversight of its contractors is sufficient to ensure contractors justify their actions and recommendations regarding the children for whom they are responsible.

This performance audit answers the following questions:

- 1. Does the manner in which foster care contractors are compensated cause them to keep children in the foster care system longer than needed?**
- 2. Are the current safeguards for overseeing the services of foster care contractors adequate?**

To answer these questions, we reviewed expenditure data and interviewed foster care contractor officials to determine each contractor's costs. We compared that information to the monthly per-child foster care payments that contractors receive. We reviewed SRS' written policies for monitoring foster care contractors, compared those policies to best practices, and determined whether SRS staff followed them. We reviewed a number of cases involving children who had been in foster care for an unusually long time and determined what actions SRS staff took in those cases to help expedite the children's placement.

A copy of the scope statement the Legislative Post Audit Committee approved for this audit is included in *Appendix A*. For reporting purposes, we've simplified the wording of both Questions 1 and 2.

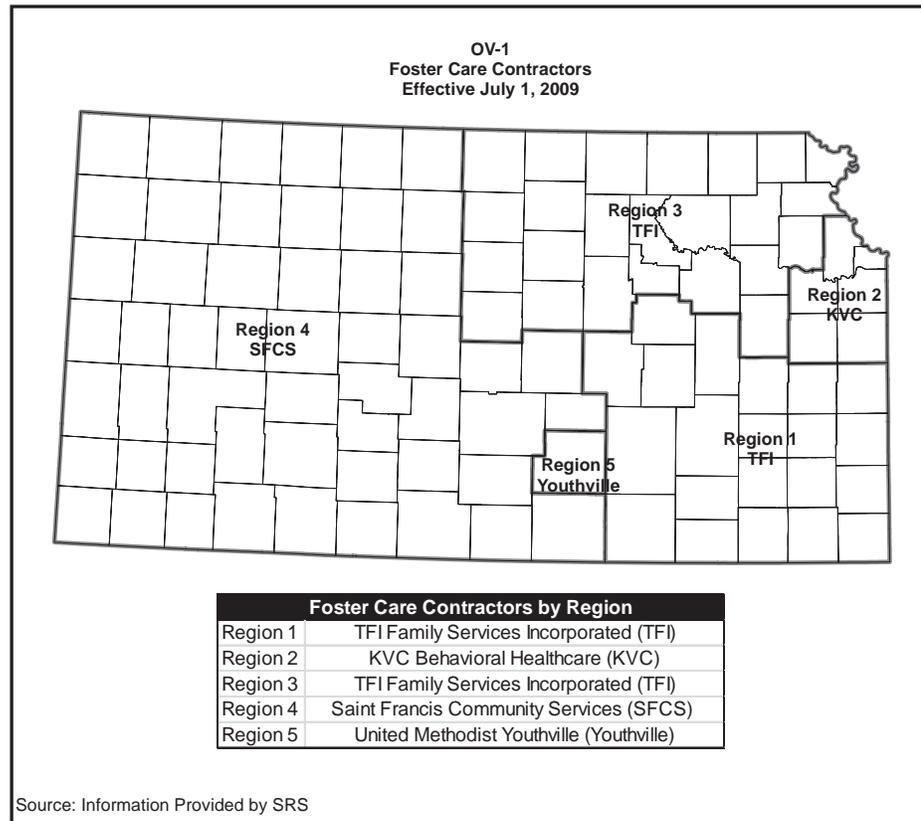
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. It's important to note that data from SRS' Family and Child Tracking System (FACTS) is sometimes out of date. We point this out in our findings for Question 2 and we have a recommendation for SRS to address this problem. However, the data are not so grossly or systematically wrong as to affect our findings and conclusions for this audit. Overall, we believe the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our findings begin on page 7, following a brief overview of the foster care system.

Overview of the State's Foster Care System

Kansas Relies on Private Contractors To Provide Out-of-Home Foster Care Services Across the State

To help address longstanding concerns about the quality of services for children in the Department of Social and Rehabilitation Services (SRS) custody, SRS privatized foster care services in 1997. SRS divided the State into five service regions, and took bids from non-profit organizations who were interested in providing services. The most recent contracts for these services began July 1, 2009, when SRS selected four agencies to provide foster care services across the State. **Figure OV-1** shows the contractors currently providing foster care services in each region.



Foster care contractors provide case management services for children removed from their home and placed in SRS custody.

As of April 2011, nearly 5,300 children in Kansas were in an out-of-home placement. Most children who require foster care have been abused or neglected and may have significant developmental, physical, or emotional needs, which can require an array of services and care options. After a child is referred to a contractor, the contractor is required to place the child in a home or facility appropriate for the child's needs. The contractor is responsible for providing the necessary services that will help the child to either be reunified with family, be adopted, or live independently. By law, SRS retains custody of the child.

Once a child is in a permanent living arrangement, the foster care contractor is responsible for providing after-care services to the child and child's family for the following 12 months. SRS will generally retain custody of a child during this period. How long SRS retains custody varies from child to child.

SRS Changed the Way It Pays Foster Care Contractors to Help Improve Their Financial Stability

Currently, SRS issues two types of monthly payments to foster care contractors. The first payment, a fixed base payment, is meant to cover the contractor's fixed costs. The second payment is a monthly per-child rate that's based on the number of children in an out-of-home placement on the last day of the month.

The payment structure for foster care services has varied over the past few years. Below we summarize the recent changes made.

- **Through June 2005, SRS paid contractors a flat amount per-child each month, along with a monthly base fee.** The monthly per-child payment was meant to pay for services while the child was in SRS custody, as well as to pay for services provided while the child was reintegrated with his or her family. The monthly base fee was meant to cover the contractor's overhead and administrative costs.
- **Beginning July 2005, SRS introduced a tiered payment structure which reduced the monthly per-child payments as children spent more time in the system.** This new structure also eliminated the monthly base fee mentioned above. However, the monthly per-child payments were much larger. In addition, those payments were "tiered" to be higher for children just entering care than those who had been in the foster care for several months.

For example, if a contractor's monthly per-child payment was \$4,000, SRS would provide 100% of that amount per month for the first six months after the child was referred to foster care. The rate then would drop to about \$2,600 (66%) for months 7 through 12, and to about \$1,200 a month (29%) once a child had been in foster care for 12 months. These tiers were designed to help children to exit foster care faster.

- **By December 2007 SRS dropped the tiered payment structure and returned to the flat monthly per-child payment because of concerns about the financial stability of contractors.** In addition to dropping the tiered payments in favor of a flat per-child amount per month, the large monthly base rate was restored. Contractors had found the tiered payment structure to be burdensome and difficult to predict and budget for.

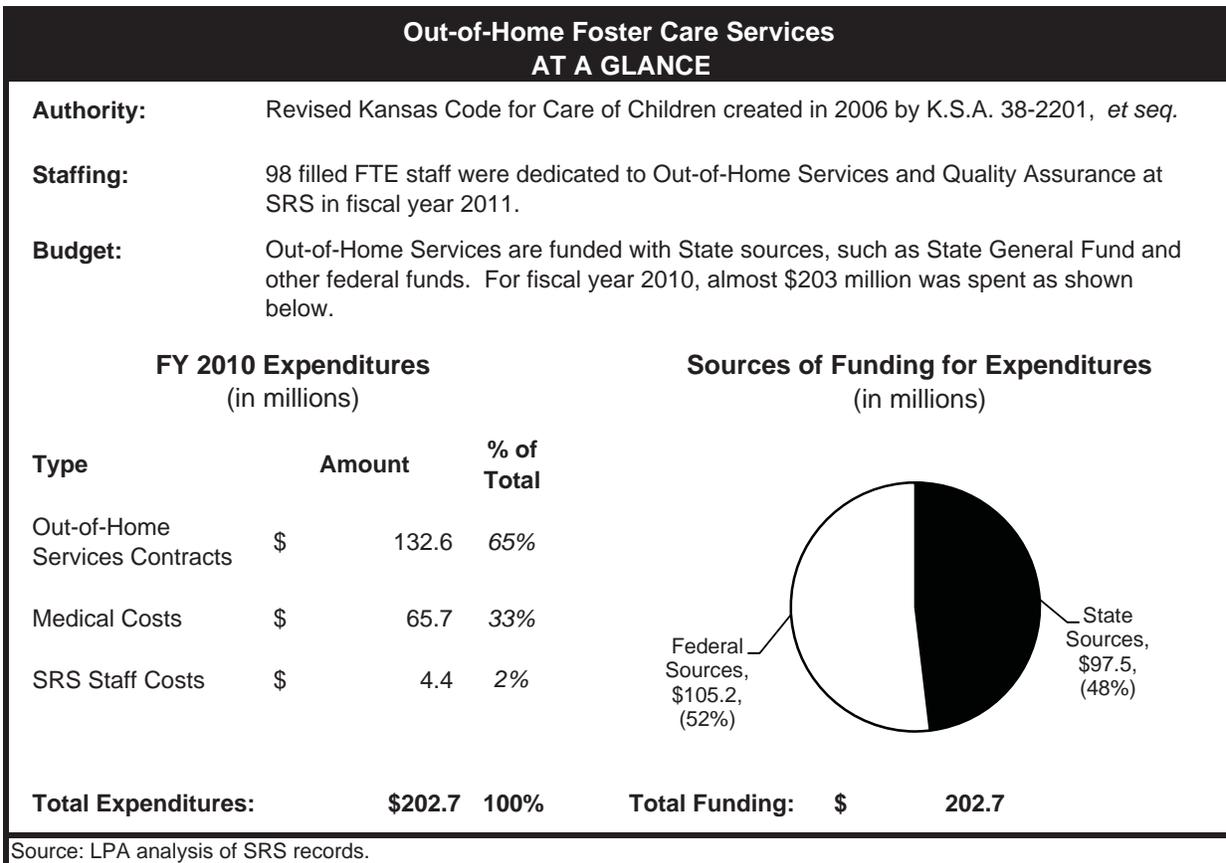
This change happened about mid-way through the contract period and is the current payment structure in place. The monthly per-child rate doesn't decrease over time. Once a child achieves their permanency goal, (for example, is returned home or is adopted) the monthly per-child payment stops. (Services however, continue to be provided for twelve months after that.) However, throughout the life of the contract, contractors are

paid the monthly base rate. **Figure OV-2** shows the current base rate and per-child rate for each contractor. Current contracts will expire June 30, 2013.

Figure OV-2 Monthly State Payments to Foster Care Contractors by Region Fiscal Year 2011			
Region	Contractor	Monthly Payment Per Child	Monthly Base Rate
1	TFI Services, Inc. (TFI)	\$1,503	\$608,841
2	KVC Behavioral Healthcare, Inc. (KVC)	\$1,533	\$812,000
3	TFI Services, Inc. (TFI)	\$1,459	\$741,167
4	Saint Francis Community Services (SFCS)	\$1,608	\$999,970
5	United Methodist Youthville (Youthville)	\$1,594	\$937,293

Source: Data provided by SRS.

The expenditures associated with current foster care contracts totaled about \$133 million in fiscal year 2010. When medical costs and SRS staffing costs are added, the total for all foster care is \$203 million. As shown in the **At A Glance box**, about, \$97.5 million comes from State funding sources.



Question 1: Does the Manner in Which Foster Care Contractors Are Compensated Cause Them to Keep Children in the Foster Care System Longer Than Needed?

Answer in Brief:

Generally, each month, foster care contractors' costs are less than the monthly payments they receive. However, the payment structure doesn't appear to have affected children's length of stay in foster care. We identified many other factors that do seem to affect length of stay.

We also found that increasing the adoption subsidy rate could potentially increase the number of children adopted. These and related findings are discussed in the sections that follow.

Generally, Each Month, Foster Care Contractors' Costs Are Less Than the Monthly Payments They Receive

As mentioned in the Overview, children who've been removed from their home and placed in State custody often have significant developmental, physical and emotional needs. Foster care contractors are required to place each child in a foster home or a facility appropriate for the child's needs. Contractors also provide services to either help reunite the child with their family or find another placement, such as an adoptive home, custodianship or guardianship. SRS pays the contractors on a monthly basis.

Contractors receive two payment types. The first is a base rate that's generally used to cover most fixed costs, such as salaries and benefits and overhead. The second is a monthly per-child rate that is used to cover most variable costs, including most placement costs, non-reimbursed physical and mental health services, transportation, as well as some case management costs. The payments also help cover a portion of aftercare expenses, the cost to provide services to children for 12 months after they return home or have been placed in some other permanent living arrangement.

For this audit, we weren't trying to determine whether contractors make or lose money on foster care contracts overall. Rather our analysis was meant to identify the margin between contractors' monthly variable costs and the monthly per-child payments. The results of our analysis are of limited use because we included only those children entering foster care from July 1, 2009 onward. Therefore, children with much lengthier stays (more than 20 months) are excluded from our comparison. That matters because children with lengthy foster care stays tend to be more expensive to provide for. If we were to look at the overall profit margin for contractors, we would want to include the costs of all children.

Foster care contractors’ monthly per-child rates are between \$140 and \$280 more than the cost of services for the period we reviewed. Using cost data that contractors submit to SRS, we estimated the average monthly cost to provide services to a foster care child. We compared those estimated costs to the monthly per-child rate SRS pays the contractors. Our results are summarized in *Figure 1-1*. Here’s a summary of what we found:

- **Contractors are paid between \$1,500 and \$1,600 each month for each child in foster care.**
- **On average, contractors’ monthly per-child costs for providing services are about \$1,300.**

As *Figure 1-1* shows, the average monthly cost per child is less than SRS’ monthly per child payment to contractors for all five regions.

Figure 1-1 Monthly State Payments Per Child to Foster Care Contractors by Region (Fiscal Year 2010 and Fiscal Year 2011)				
Region	Contractor	Monthly Payment Per Child (a)	Monthly Cost Per Child (b)	Difference
1	TFI Services, Inc. (TFI)	\$1,491	\$1,213	\$278
2	KVC Behavioral Healthcare, Inc. (KVC)	\$1,519	\$1,277	\$242
3	TFI Services, Inc. (TFI)	\$1,450	\$1,202	\$248
4	Saint Francis Community Services (SFCS)	\$1,590	\$1,333	\$257
5	United Methodist Youthville (Youthville)	\$1,537	\$1,398	\$139

(a) The monthly payment per child for each contractor is the average payment for fiscal years 2010 and 2011.
(b) Only includes foster care children who were placed in an out-of-home placement beginning July 1, 2009 to February 28, 2011

Source: LPA analysis of data provided by SRS.

The contractors’ margins are actually much greater for most of the children they serve, because most children are in low-cost settings. In most cases, contractors have discretion on what type of placement to place a child in (e.g., residential, foster home, institution), but the placement must address the child’s needs. In other instances, either the courts or community mental health centers

determine the most appropriate placement. *Figure 1-2* [see page F-6] summarizes the number and cost of different types of foster care placements from July 2009 to February 2011.

Figure 1-2 Average Monthly Cost of Most Common Placements for Foster Care Children (July 1, 2009 to February 28, 2011) (a)				
Placement	Avg Monthly Placement Cost	% of Time Placement Used	Placement Costs (in millions)	Placement as % of Total Cost
Kin/Relative/Foster Family Home	\$462	81%	\$13.1	57%
Specialized Family Resource Home	\$1,666	12%	\$7.1	31%
Therapeutic Family Resource Home	\$2,584	< 1%	\$0.6	3%
Residential Institution Placement	\$4,285	< 1%	\$1.3	6%
Other	\$0-\$3,040	5%	\$0.8	3%
Total		100%	\$22.9	100%

(a) Includes only those children who were in a placement at least 28 days out of a month-long period.
Source: LPA analysis of data provided by SRS.

As *Figure 1-2* shows, most children are in the lowest cost placements. Placements with kin, relatives, or in a foster family home accounted for 80% all placements. The contractors' average monthly cost per child for these placements is about \$462.

A relatively small number of children are placed in high-cost settings to help them overcome severe behavioral or emotional issues. These types of settings, such as therapeutic family foster homes and residential institutions, account for about 2% of all placements. The contractor's average monthly cost for each child in these types of placements is about \$2,600 and \$4,300 respectively.

The Payment Structure Does Not Appear To Have Affected How Long Children Stay in Foster Care

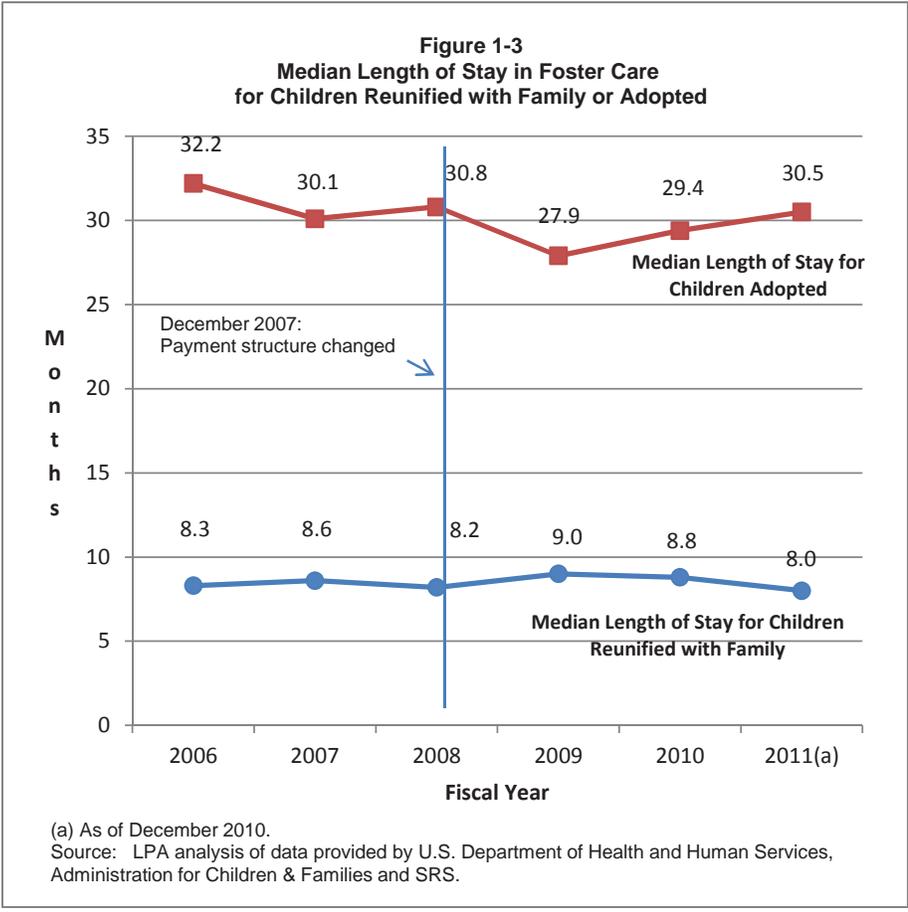
As described in the overview, in December 2007 SRS officials changed the payment structure because they were concerned about the financial stability of contractors. Here's how the structure changed:

- **Under the old payment structure, it appeared that contractors lost money after a child had been in foster care for one year.** This payment structure included monthly per-child payments that were "tiered" to be higher for children just entering care than those who had been in foster care for several months. This payment structure was in place until December 2007.
- **The current payment structure includes a flat monthly per-child payment as well as a monthly base rate.** The monthly per-child rate doesn't decrease over time, but the payments end once a child achieves their goal (for example, returns home). The monthly base rate is paid throughout the life of the contract.

As shown in the previous section, generally, each month, foster care contractors' costs are less than the monthly payment they receive. To determine whether the change in payment structure affected the length of time children are in foster care, we reviewed and compared length of stay data under both payment structures. To verify that comparison, we used a sophisticated regression analysis.

The median length of stay generally has not increased under the most recent payment structure. *Figure 1-3* summarizes the median length of stay in foster for fiscal years 2006 through 2011. The figure shows the median length of stay in foster care for children who were reunified with their family as well as the median length of stay for children who were adopted. In summary, the figure shows that:

- **Median time to reunification has been around 8 to 9 months under both payment structures.** In both 2009 and 2010, the median did increase to about 9 months, but dropped to 8 months by the middle of fiscal year 2011.
- **Median time to adoption has been about 28 to 32 months under either payment structure.** In fiscal year 2009, the median dropped to about 28 months, but was 30.5 months by the middle of fiscal year 2011.



These data indicate that the payment structure isn't a factor in how long children stay in foster care. In addition to this data, other trend data available showed no notable change for length of stay in foster care. We summarize that data in *Appendix B*. Finally, results from our regression analysis confirmed that the length of time a child is in foster care doesn't appear to be influenced by SRS' current monthly flat per-child payment structure.

Many other factors appear more likely to affect the length of stay in foster care. While SRS' current payment structure doesn't appear to affect length of stay, we know from our work on past audits and from talking with current foster care contractors that several other factors do. We've summarized the factors that are most likely to affect a child's length of stay in foster care below.

Factors that can slow reintegration with the child's family:

- Mental health and behavior problems of the child or child's family — Because mental health services are essential to achieving the case plan goals, it is important to have these services readily available. When these services aren't always available, specifically in the rural areas, it can contribute to delays in returning the child to their home.
- Judicial discretion — Judges make the final determination on whether and when a child in foster care can return home. Judge's opinions of the case and the progress being made, can delay reunification.
- Substance abuse — Most courts expect parents or guardians who want to be reunited with their children to strictly adhere to sobriety requirements, to participate in services offered, and to submit to random drug testing. Parents' failures in these areas may also delay reunification.

Factors that can slow adoptions:

- Delays in terminating parental rights — Some courts are timely in terminating parental rights, while others allow multiple continuances of court hearings.
- Home study delays or other paperwork delays — In past audits, our review of a sample of adoption cases showed instances where the adopting parents didn't return home-study materials on time. In another case we saw that the adopting parents' attorney didn't file the adoption petition in a timely manner.
- Concerns expressed by the adoptive family — We reviewed a sample of cases for this audit and in some cases, the prospective adoptive parents wavered on whether they wanted to adopt the child because of the child's behavioral or physical issues. This resulted in the child remaining in foster care.

- Age of the child — State law requires a child more than 14 years of age must consent to the adoption. In addition, older children are often less likely to be adopted than younger children.

In sum, many factors affecting a child's length of stay in foster care aren't in SRS' or the contractors' control. In addition, those factors often aren't related to the payment structure used to pay foster care contractors.

OTHER FINDINGS

Increasing the Adoption Subsidy Potentially Could Help Increase the Number of Children Adopted

We reviewed 14 foster care cases involving children who had been in care between 2 and 10 years. About half of these children had adoption as their case plan goal but, for various reasons, hadn't reached that goal. Earlier in this report we noted a number of reasons why adoptions are delayed. In reviewing these cases, we came across one possible financial reason why this may happen.

Because adoption subsidies are so much less than foster care payments to parents, foster families considering adoption face a financial disincentive. Often, when a foster care child with special needs is adopted, SRS provides the adoptive parents a monthly support subsidy. We noticed a disparity in the average monthly amount paid to foster parents and the amount paid in adoption subsidies. The average monthly cash subsidy for adoption cases was about \$340 per month for fiscal year 2011, according to SRS officials. By comparison, our analysis showed that the average monthly payment to foster care parents is about \$790.

Thus, in strict financial terms, foster parents may be better off remaining foster parents than adopting the child. Clearly the decision to adopt is a uniquely personal decision that involves more than personal finances. However, in our review of files we identified two instances where the foster care parents specifically cited the reduced monthly subsidy as a factor in their decision not to adopt. (In both instances the children had costly special needs.)

SRS officials stated the adoption subsidy could be raised to the same level as foster care subsidy payments, but that this could increase overall costs. However, overall, SRS would likely pay less. That's because the family would be paid slightly more, but SRS would no longer pay the contractor the monthly per-child payment (current payments are about \$1,500 per month.)

Conclusion

Previous contracts with foster care contractors had a tiered payment structure that was meant to encourage faster reintegration of children with their families. However, contractors lost money after the child had been in care for one year. Current contracts provide more financial stability. Neither payment structure has had much effect on how long children stay in foster care. The likely key to successful contract terms is to not tie the payment structure to children's length of stay in foster care, but to strike a balance between keeping payment terms high enough to ensure services are available and low enough to remain cost effective.

Question 2: Are the Current Safeguards for Overseeing the Services of Foster Care Contractors Adequate?

Answer in Brief:

SRS has established a good structure that can help it monitor foster care contractors, but it doesn't always act to correct problems found while monitoring. We found that SRS has good written policies and that it periodically gathers performance data to monitor contractors. However, staff don't always act to correct problems because the agency has a hands-off approach to overseeing contractors.

We also found that, regardless of SRS' oversight efforts, some children remain in foster care for a long time. In addition, overall, Kansas' performance on national standards related to length of stay in foster care appears to be about average. Finally, SRS' monitoring efforts are hampered because its tracking system is sometimes out of date. These and other findings are discussed in the sections that follow.

SRS Has Established A Good Structure To Monitor Foster Care Contractors, But Staff Don't Always Act to Correct Problems

A good oversight system has two components: monitoring what's happening and then acting to correct any problems found.

To determine if SRS has a good oversight system, we identified best practices for monitoring foster care contractors and compared those to SRS' written policies. We also reviewed documents to determine whether SRS is following its written policies. In addition, we reviewed a small group of foster care cases involving children who have been in foster care for at least two years to determine whether milestone events had happened.

Overall, we found the following:

- **SRS has established good policies and gathers performance data to monitor the contractors** — SRS' written policies meet best practices for overseeing foster care contractors. In general, SRS does a good job of gathering performance data to monitor contractors.
- **SRS staff don't always act to correct problems they find** — SRS front-line staff have limited ability to expedite foster care cases because the agency has taken a hands-off approach to overseeing contractors.

These findings are discussed in the following sections.

SRS Has Good Policies and Gathers Performance Data To Monitor Contractors

Foster care contractors are responsible for the day-to-day management of foster care cases. SRS is responsible for overseeing the contractor and ensuring that each case is making timely and adequate progress.

SRS’ written policies meet best practices for monitoring services provided by foster care contractors. We identified the policies that we would expect SRS to have in place for monitoring foster care contractors. These policies are commonly referred to as “best practices.” For this audit, we compared those best practices to SRS’ current policies for monitoring contractors. The results are summarized in **Figure 2-1**. As **Figure 2-1** shows, SRS’ written policies meet best practices.

Figure 2-1 Best Practices For Monitoring Foster Care Contractors, and Corresponding SRS Policies	
Best Practice	SRS Policy
Set specific performance outcomes	Current contract outcomes are based on national foster care standards.
Establish reporting requirements such as quarterly performance reports	SRS requires contractors to submit quarterly performance reports. In addition, SRS reviews about 250 foster care cases every quarter and reviews case plans for all foster care cases every six months.
Notify contractors about the outcomes and reporting requirements	Outcomes and reporting requirements are detailed in contracts.
Make certain staff responsible for monitoring activities	At the agency level, SRS has made certain central office staff responsible for quality assurance and performance improvement. At the regional office level, specific staff are responsible for quarterly case reads and case plan reviews.
Review the required performance reports and follow up on problem findings	SRS uses case reads and national outcomes data to determine where improvement can be made. Contractors are supposed to develop program improvement strategies when standards aren't met.
Identify penalties for contractors who don't meet performance standards	If strategies for improving outcomes aren't met, SRS can assess damages or terminate contracts.
Develop a tracking system to record the monitoring results	SRS uses its Family And Child Tracking System (FACTS) to track individual child data, and data from FACTS are used to determine whether outcomes are being met.
Sources: Best practices were identified by previous LPA audit work. SRS policies were identified through our review of SRS policies as well as interviews with SRS officials.	

As part of its monitoring efforts, SRS routinely gathers and analyzes case data about contractors’ performance. SRS routinely gathers and reviews data on specific foster care cases. This monitoring includes:

- **SRS staff conduct a general review of the case plans for all foster care cases every six months.** For each child in foster care, contractors must have a written case plan which includes the child’s goal, such as reunification with family or adoption. The plan also includes tasks that are needed to reach that goal. Contractors are required to review and update

the plan every six months. Within days of that update SRS regional office staff review the plan and check it for accuracy. If there are no accuracy issues they approve it.

- **SRS staff conduct an in-depth “case read” for a statewide sample of 250 foster care case files every quarter.** These reviews are done to ensure that contractors are providing timely services to foster care children and their families, to check the accuracy of data in FACTS, and to measure the contractors’ progress on national foster care standards.

Gathering this type of information should allow SRS to know whether a foster care child is making progress toward either being reunited with family or being adopted (or some other permanent arrangement). In addition, these monitoring efforts help SRS to know whether or not national foster care standards are met and if not, where improvements need to be made.

SRS Staff Don’t Always Act to Correct Problems Because the Agency Has Taken A Hands-Off Approach

As noted above, SRS’ written policies meet best practices which provide the framework for a good oversight system. In addition, SRS is gathering the data that we would expect them to gather when monitoring foster care contractors. However, SRS’ oversight isn’t as effective as it could be because SRS staff don’t consistently act to correct the problems they find. Below, we summarize our findings in this area.

SRS staff don’t always act to correct the problems they find.

One of the ways SRS staff monitor each contractor is to measure the contractor’s performance on national foster care standards. For example, as mentioned earlier, staff read 250 cases each quarter. In addition to tracking timeliness of services in those cases, these reviews also help staff measure contractor’s performance on national foster care standards.

Results from SRS case reads and other monitoring efforts have shown that for 2009, 2010 and thus far in 2011, two contractors haven’t met the standard related to returning children home within 12 months of removal. Of the children returning home, the standard requires that at least 69.9% be returned within 12 months. In Region 4, (Western Kansas served by SFCS), 58-66% of children met this goal and in Region 5, (Sedgwick County, served by Youthville), only 31-46% of children met this goal.

In addition, recent performance results have also shown that for 2010 and so far for 2011, three contractors haven’t met the national standard related to the median length of stay in foster care for children returning home. This standard requires this median length of stay be 6.5 months or less. Children in Region 2 (Kansas City area served by KVC), Region 4 (Western Kansas served by SFCS),

and Region 5 (Sedgwick County served by Youthville) had median stays longer than 6.5 months.

According to current contracts, when national standards aren't met, contractors must develop improvement strategies and demonstrate actual improvement. SRS staff haven't required contractors to do that. Instead, SRS officials explained that, rather than requiring contractors to implement region-specific improvement plans, SRS has been working to complete a federally required Statewide improvement plan. However, that plan was the result of a federal review of Kansas in 2007 and was based on cases from 2006. SRS officials told us they will request improvement plans from contractors after fiscal year 2011.

SRS management takes a hands-off approach to overseeing contractors. Several SRS staff who routinely review foster care cases plans told us they can't do much to help expedite a foster care case that appears to be languishing. In general, SRS does not review case plans for substantive issues. Instead the plans are checked to make sure that all the required information is included. One SRS staff member said "we just check boxes." Another staff member said that staff aren't comfortable giving their opinions because SRS central office has told them not to do so.

SRS' central office officials told us the agency defers to the contractors and the courts because they are responsible for the "direction" of foster care cases. SRS officials also explained that, because contractors are involved in the day-to-day case management of foster care, contract staff are in the best position to make decisions about what to do to help expedite a languishing foster care case.

Regardless of SRS' agreement with contractors, SRS is ultimately responsible for ensuring that children don't languish in foster care.

OTHER FINDINGS

Regardless of SRS' Oversight Efforts, Some Children Remain in Foster Care For a Long Time

Although foster care contractors are responsible for the day-to-day management of a foster care case, SRS is responsible for overseeing the contractor and ensuring that the case is progressing in a timely manner. Several milestone events allow SRS to track that progress. These events include:

- Initial case planning conference — Held within 20 days of when a child has been removed from the home and placed in SRS custody.
- Case planning conference reviews — Held at least every 170 days after the initial case planning conference and it serves as a way to update the case plan and track the case's progress.

- Permanency hearing — Held within 12 months of the date the court authorized the child’s removal from the home and then every 12 months thereafter. During the hearing, the court reviews evidence and decides whether reasonable efforts have been made to accomplish the child’s long-term goal (for example, reintegration or adoption) and whether the child should remain in out-of-home placement.

Contractors met various milestone requirements for the cases we reviewed. We identified a group of foster care cases involving children who had been in foster care for at least two years. From that group, we reviewed 14 cases. It’s important to note that we didn’t review these cases to determine whether the correct decisions had been made. In addition, our analysis results can’t be projected to predict what’s happening in all cases. Rather, our review was to determine whether the milestone events had happened in these particular cases.

For these cases, the required case plan conferences and permanency hearings were held on time, with very few exceptions. One case plan conference was about three months late, but that was more than two years ago and all subsequent conferences have been timely since.

Regardless, children in the cases we reviewed and hundreds more have very lengthy stays in foster care. As of April 2011, nearly 5,300 children in Kansas were in an out-of-home placement. During our audit, SRS data showed that about 180 children had been in care for two or more years and yet their case plans continued to show reunification as a goal. National standards aim for children to be reunified with 12 months. Another 300 children had been in foster care four or more years and their case plan goal was adoption. National standards aim for children to be adopted within 24 months.

In the cases we reviewed, a number of different factors appeared to cause the children to languish. For example, one child couldn’t be reintegrated with the mother because the mother either failed or refused to take drug tests. In another case, the child’s drug abuse has delayed adoption efforts. *Appendix C* includes general information about the 14 lengthy cases included in our file review.

Overall, Kansas’ Performance On National Standards for Length of Stay in Foster Care Appears To Be Average

The U.S. Department of Health and Human Services sets various national standards that serve as performance measures for states’ foster care systems. In general, the standards are meant to ensure that children don’t languish in foster care. While there are various standards, those most relevant to this audit are related to a child’s length of stay in foster care and include the following:

- Reintegrating a child home in a timely manner — Of children returned home, national standards call for at least 69.9% to be returned within 12 months of when they were removed from their home.
- Helping a child become adopted in a timely manner — Of the children who can't be returned home and are adopted, the national standards call for at least 26.8% to be adopted within 24 months of when they were removed from their home.
- Keeping children's overall median length of stay to a minimum — The national standards call for states to keep the median length of stay for children with reunification as their case plan goal to be no more than 6.5 months. For children with adoption as their case plan goal, the targeted median length of stay is no more than 32.4 months.

Kansas is below average in meeting national standards related to timely reunification, but above average in meeting national standards related to adoption. We compared Kansas' results to the national standards and to the results of other states. *Figure 2-2* shows the results of this analysis.

Figure 2-2 Comparing Kansas' Performance to National Standards Related to Timeliness in Foster Care Fiscal Year 2009 (a)					
National Foster Care Standards		Kansas			National Average
Standard	Benchmark	Performance	Standard Met?	Rank	
Children reunified within 12 months	69.9% or more	63.2%	No	36th	67.0%
Median length of stay for children who were reunified	6.5 months or less	9.0 months	No	16th	7.9 months
Children adopted within 24 months	26.8% or more	37.9%	Yes	15th	31.9%
Median length of stay for children who were adopted	32.4 months or less	27.9 months	Yes	35th	30.9 months

(a) Fiscal year 2009 are the latest national data available.
Source: Child Welfare Outcomes Report Data, U.S. Department of Health and Human Services.

As *Figure 2-2* shows, Kansas was below the national average for both the percent of children who were reunified in less than 12 months and the median length of stay for children before they were reunified. However, Kansas exceeded the national average for percent of children who were adopted in less than 24 months and the median length of stay for those children before adoption. SRS officials agreed that the national standards should only be considered the minimum and that more can be done to help a foster care child reach a timely permanent placement.

National standards for foster care focus on the first 24 months of foster care, with few meaningful standards in place for long-term foster care cases. As noted above, the national standards call for timely reintegration within 12 months, or adoption within 24 months of when a child is removed from home. The standards don't include similar milestones for children who have been in foster care for longer than 24 months and SRS hasn't created a standard to evaluate its own progress. The absence of a meaningful performance measure could increase the risk that a foster care child would languish in care longer than necessary.

SRS' Monitoring Efforts Are Somewhat Hampered By Data Inaccuracies

SRS relies on the Family and Child Tracking System (FACTS) to help monitor contractors. In addition, data from the system is periodically sent to the U.S. Department of Health and Human Services, which uses the data to track states' progress on national foster care standards.

For a number of long-term foster care cases, we compared the information in FACTS to the data in the contractors' systems and found that the information in SRS' system is sometimes out of date. Foster care contractors have access to FACTS, but SRS is responsible for entering data and ensuring its accuracy. We found a number of instances where contractors had provided the information to SRS, but the information hadn't yet been entered into FACTS. Therefore, even though FACTS may show that a milestone event is due in a foster care case—that may not be true. Without the most current information, SRS staff can't do an effective job of overseeing contractors. In addition, there is a risk that SRS staff and contractors will be more likely to disregard information from FACTS because it isn't always reliable.

Contractors Are Trying Various Strategies To Improve Performance on National Standards

On their own, some contractors are trying various strategies to improve their performance on national foster care standards. For example, to meet the national standard that requires children to be reintegrated with their family within twelve months, one contractor has staff meet on the case at nine months to develop a plan to help make that happen. Another contractor has hired in-home family therapists to work with parents and help them meet case plan goals so that their children can be returned home more quickly. To help speed the adoption process, another contractor hired "adoption specialists" who help shepherd the case through the process.

Further, a recent \$13.3 million grant from the U.S. Department of Health and Human Services may help reduce children's length of stay in foster care. The Kansas Intensive Permanency Project (KIPP), which involves foster care contractors and the University of Kansas' School of Social Welfare, is meant to help children with serious emotional disturbance issues. According to SRS data, about half of children in foster care have severe emotional disturbance issues. Children with these issues tend to be in foster care longer and are more likely to stay in foster care until they turn 18 rather than be reunited with their family or find an adoptive placement.

Conclusion:

Foster care-related services have been provided by non-government entities since 1997, when SRS privatized child welfare services. In doing so, SRS contracted out the day-to-day management of individual foster care cases. Regardless, it cannot avoid its responsibility for diligently overseeing the entities that it has hired to do the work. It is SRS' responsibility to ensure that children removed from their home remain safe while in SRS custody and that, if possible, they be returned to their home as quickly as is safely possible. In taking a hands-off approach to following up on problems found while monitoring foster care contractors, SRS is increasing the risk that children could unnecessarily languish in foster care.

Recommendations for Executive Action

1. To help ensure that children do not remain in foster care any longer than is necessary, SRS should require foster care contractors that don't meet the required performance standards to develop and implement region-specific program improvement strategies, as is called for under current contracts. SRS should set firm benchmarks and deadlines for when contractors are required to meet those benchmarks.
2. To help ensure that the Family and Children Tracking System (FACTS) provides up-to-date information to help SRS oversee foster care cases, SRS should establish and enforce minimum time frames for staff to enter case information into the system.

APPENDIX A Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on November 9, 2010. This audit was requested by the Joint Committee on Children's Issues.

Foster Care: Reviewing Selected Issues Related to the Compensation and Oversight of Foster Care Contractors

Foster care-related services have been provided by non-governmental not-for-profit entities since 1996, when the Department of Social and Rehabilitation Services (SRS) privatized child welfare services. Beginning July 1, 2009, SRS entered into new contracts to provide foster care services in Kansas with four contractors—KVC Behavioral Health, St. Francis, The Farm, and United Methodist Youthville. The contracts are for four years and have options for up to two two-year renewal periods. Under the terms of these contracts, the contractors receive a base payment each month to cover their fixed costs, and a monthly case-rate for each child in out-of home placement.

Recently, legislators have expressed concerns that the monthly case-rate paid under these new contracts may create a financial incentive for contractors to keep children in the foster care system and not return them to their homes or recommend placement in the homes of relatives. Legislators also expressed concerns about whether SRS provides enough oversight over its contractors to ensure they sufficiently justify their actions and recommendations regarding the children for whom they are responsible.

A performance audit in this area would address the following questions:

1. **Does the manner in which foster care contractors are compensated create an incentive for them to keep children in the foster care system longer than is needed?** To answer this question, we would interview SRS officials and review the agreements with foster care contractors to understand the basis for compensating contractors. We would interview officials from the current foster care contractors, and review expenditure and other data as necessary to develop a cost profile showing the nature and timing of the costs they incur to handle foster cases, and then compare that profile to the compensation they receive to identify any situations where the contractor might benefit financially by keeping a child in the system. We would also analyze foster care tracking data maintained by SRS to see if there are any trends in how long children remain in the system that appear to be related to the compensation contractors receive. We would conduct additional testwork as necessary.

2. **Are the current safeguards for monitoring the services of foster care contractors adequate?** To answer this question, we would interview SRS officials and review documents as necessary to understand the procedures SRS has established to monitor the services provided by foster care contractors, compare those procedures to best practices to determine if they are adequate, and determine if those procedures are being followed. We would also look at a small sample of cases in which children remained in the system for an unusually long time, and interview SRS officials, contractors, and families or guardians to determine what SRS does in those cases to help expedite the children's placement. We would conduct additional testwork as necessary.

APPENDIX B

Summary of Kansas' Performance on Selected National Standards Related to Foster Care

This appendix includes a summary of how the State of Kansas has performed on selected national standards for foster care since 2006.

APPENDIX B Summary of Kansas' Performance on Selected National Standards Related to Foster Care by Federal Fiscal Year							
National Standard	Current National Benchmark	Kansas' Results					
		2006	2007	2008	2009	2010	2011 (a)
Median length of stay in foster care for children <u>reunified</u> with family	6.5 months or less	8.3	8.6	8.2	9.0	8.8	8.0
Median length of stay in foster care for children <u>adopted</u>	32.4 months or less	32.2	30.1	30.8	27.9	29.4	30.5
% children <u>reunified</u> within 12 months of removal from home (b)	69.9% (c)	56.6%	53.7%	55.2%	63.2%	67.2%	71.4%
% children <u>adopted</u> within 24 months of removal from home (d)	26.8% (e)	25.5%	32.2%	28.9%	38.0%	30.9%	30.8%
% children in foster care 24+ months and who were placed in a permanent home <u>before</u> their 18th birthday	(f)	24.3%	33.0%	32.1%	33.7%	30.5%	31.1%
% children in foster care 3+ years and who were either emancipated or released from foster care prior to or on their 18th birthday	(f)	35.1%	28.8%	32.7%	30.3%	31.8%	34.0%
<p>(a) As of December 2010. (b) Includes only children who were reunified, not the entire population of children. (c) Benchmark was 76.2% for fiscal years 2006-2009. (d) Includes only children who were adopted, not the entire population of children. (e) Benchmark was 32% for fiscal years 2006-2009. (f) Benchmark is available, but is for a "composite" national standard. This standard is one portion of that composite.</p> <p>Source: LPA analysis of Child Welfare Outcomes Report Data, U.S. Department of Health and Human Services.</p>							

APPENDIX C

Summary of Foster Care Case Reviewed

This appendix includes a summary of the 14 foster care files we reviewed. We identified a group of foster care cases involving children who had been in foster care for at least two years. From that group, we reviewed 14 cases. It's important to note that we didn't review these cases to determine whether the correct decisions had been made. We reviewed them to determine whether the milestone events had happened. For each child, we have included information related to the reasons why permanency hasn't occurred and the current status of the case as of April 2011.

**Appendix C
Summary of Foster Care Cases Reviewed**

Length of Time in Foster Care (a)	Child's Age	Barriers to Achieving Permanency	Current status
10.3 years	16	Child has been in the same foster placement for over 10 years, the child suffers from a number of disabilities including mild cerebral palsy and developmentally disabled.	Goal is adoption, the foster parents stated they aren't in a financial position to adopt and are concerned about the cost of services post-adoption.
10.1 years	13	Child has been in the same foster placement for over 8 years, the foster mother is very elderly, so adoption by the foster mother would be unlikely.	Child's goal is adoption.
8.9	17	Child has several mental/behavioral disabilities, and child has stated he doesn't want to be adopted.	Child's current goal is custodianship with a concurrent goal of OPPLA . (b)
6.7 years	11	Child was diagnosed with autism, and his foster mother has expressed concern over costs related to adoption.	Child's current goal remains adoption.
6.1 years	16	Two adoptive placement agreements were rescinded due to the child's behavioral issues and drug usage.	Goal is custodianship, with a recommendation the goal change to OPPLA when the child turns 17. (b)
4.8 years	7	Contractor would not split the child from his brother (who had behavioral issues).	Child's goal remains adoption with his brother.
4.6 years	7 & 6	Siblings' weren't adopted by their initial foster home because of behavioral issues.	Children were adopted by their subsequent foster family.
4.2 years	16	Child ran away for about 5 months.	Goal is adoption with concurrent goals of guardianship/OPPLA. (b)
3.7 years	13	Parental rights were terminated, the mother appealed and termination was overturned.	Child's goal remains reintegration.
3.5 years	11	Child's mother failed or refused drug tests, and there were altercations between the mother and child.	Goal is reunification, and a judge recommended exploring termination of parental rights.
2.6 years	6	Child's goal kept changing due to circumstances of his father (who was convicted of child endangerment, and arrested for sexual abuse).	Child and his sisters were reintegrated with their father after he was released from prison.
2.5 years	9	Child's father was in prison and the child's mother did not complete case plan tasks.	Child was reintegrated with her father after he was released from prison.
1.7 years	4	There were several case plan tasks that had to be completed before the child could be reintegrated.	Child was reintegrated.

(a) As of April 2011.

(b) Other Planned Permanent Living Arrangement (OPPLA). Meant to prepare a child for independent living when they reach age 18.

Source: LPA review of contractor and SRS case files.

APPENDIX D

Agency Responses

On June 14, 2011 we provided copies of the draft audit report to the Department of Social and Rehabilitation Services (SRS), KVC Behavioral Healthcare (KVC), Saint Francis Community Services (SFCS), TFI Family Services (TFI), and United Methodist Youthville (Youthville). Their Responses are included as this Appendix.

With the exception noted below, SRS and the foster care contractors generally concurred with the report's findings, conclusions, and recommendations. Based on their responses, we made some minor changes and clarifications to the draft report. However, these changes didn't affect any of our findings or conclusions.

Saint Francis Community Services officials had comments in response to our findings that Kansas' performance on national standards for length of stay in foster care appears to be average. Saint Francis officials noted that Kansas ranked within the top five states for four of the seven composite outcomes in the most recent Child and Family Services Reviews (CFSRs) conducted by the U.S. Department of Health and Human Services. These composite outcomes cover such issues as safety, permanency and stability of living arrangements, and overall wellbeing. Because our audit questions and findings address the length of stay in foster care, we focused exclusively on those outcome measures.

Robert Siedlecki, Secretary
Mary S. Hoover, Director
CPA, CIA, CFE, CGFM

Department of Social and
Rehabilitation Services

Sam Brownback, Governor

June 21, 2011

Re: LPA Audit – Foster Care; Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors

Mr. Scott Frank, Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, Kansas 66612-2212



Dear Mr. Frank:

Thank you for the opportunity to respond to the draft performance audit report *Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors*. We always appreciate the professionalism of your staff and their audit work.

SRS takes the responsibility of protecting children, preserving families, and caring for children placed into the custody of the Secretary very seriously. As you know, these are complex programs, designed to provide efficient services while maintaining a high level of care to the children and families we serve.

We acknowledge the strong partnership we have with our child welfare contractors who have joined SRS, our judicial system, our extended families and our communities in meeting the unique needs of our “at risk” Kansas children and their families. We understand that while we have seen great progress in our service to families there is still much more to do.

It should be pointed out that children with greater lengths of stay in out-of-home care usually have more significant needs that require more intense resources and more therapeutic-type placements. Additionally, best practice models suggest that children should be placed in the least restrictive home setting that meets their specific needs, such as with kin or relatives, or in community foster homes. Our contractors, extended families, and foster parents should be commended for their work in these areas.

A balanced approach to overseeing our providers is necessary to ensure that the unique needs of Kansas children and families are consistently being met using a community-based approach that engages communities and families. We will continue to work closely with our providers in order to assure accountability and that corrective action for improvement is taken when necessary.

In our quest to improve the well-being of the children and families of Kansas, the new administration intends to increase prevention efforts to strengthen families and reduce the incidence of child

Mr. Scott Frank, Legislative Post Auditor
SRS Response – LPA Audit Report – Foster Care: Reviewing Selected Issues Related to
Compensation and Oversight of Foster Care Contractors

maltreatment, work more closely with our judiciary on child welfare issues, address paperwork and bureaucratic delays that hamper the timeliness of permanency for our children, and make sure that we continue to pursue permanency for our older youth in care.

The agency takes the audit recommendations seriously and plans to develop program improvement plans with our child welfare providers to improve outcomes and review agency policies to ensure timely data entry. Our responses to the specific recommendations included in the report are:

Recommendation: To help ensure that children do not remain in foster care any longer than is necessary, SRS should require foster care contractors that don't meet the required performance standards to develop and implement region-specific program improvement strategies, as is called for under current contracts. SRS should set firm benchmarks and deadlines for when contractors are required to meet those benchmarks.

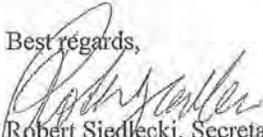
Agency Response: SRS and foster care contractors will develop region-specific program improvement strategies addressing contractor outcomes that do not meet required performance standards. The Program Improvement Plans will include measurable goals, action steps, a timeframe for addressing each outcome that is below the set performance standards and penalties that may result for failure to meet goals.

Recommendation: To help ensure that the Family and Children Tracking System (FACTS) provides up-to-date information to help SRS oversee foster care cases, the SRS should establish and enforce minimum time frames for staff to enter case information into the system.

Agency Response: Data quality is an essential part of providing quality programs and services to families. The Children & Family Services Policy and Procedure Manual mandates timeframes for data entry by SRS and foster care contractor staff. However, we will review and revise as necessary to address concerns noted.

Should you need additional information or assistance, please contact Gina Meier Hummel, Director, Children and Family Services at 785-368-8151 or by email at Gina.MeierHummel@srs.ks.gov or Mary S. Hoover, Chief Audit Executive/Director, Office of Audit and Consulting Services, at 785-296-2973 or by email at Mary.Hoover@srs.ks.gov.

Best regards,


Robert Siedlecki, Secretary

Cc: Jeff Kahrs, Chief of Staff, SRS
Jim Kallinger, Deputy Secretary, Integrated Service Delivery, SRS
Greg Harris, Deputy Secretary of Administration, SRS
Gina Meier Hummel, Director, Children and Family Services, SRS
Mary S. Hoover, Director, Office of Audit and Consulting Services, SRS



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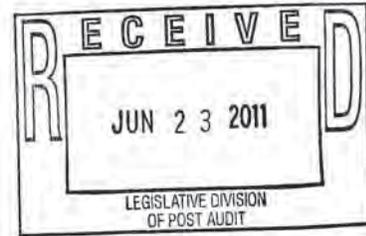
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Assistant Secretary



June 22, 2011

Mr. Scott Frank
Legislative Post Auditor
Legislative Division of Post Audit
800 SW Jackson Street, Suite 1200
Topeka, KS 66612-2212



Re: Draft Audit Report: *Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors*

Dear Mr. Frank:

Thank you for the opportunity to respond to the draft audit report, *Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors*. KVC Behavioral Healthcare management team and staff members appreciated the courteous and professional manner in which your staff worked throughout this process.

KVC Behavioral Healthcare is in agreement with the *Recommendations for Executive Action* in the audit report. Driven by the desire to raise the bar for children and families in Kansas, KVC continually implements internal performance improvement plans to ensure the most effective services are available at all times. These efforts have enabled KVC to achieve multiple performance outcome measures that historically were not being met. As an example, one of our program improvement processes ultimately led to ongoing achievement of two of the placement stability outcome measures.

To help SRS ensure that the Family and Children Tracking System (FACTS) provides up-to-date information is a task which KVC can provide support as requested by SRS. KVC willingly provides necessary information to SRS on a consistent basis in various forms including case planning documents and court reports. KVC is prepared to participate in action-planning with SRS for this task.

Should there be further questions or information required, please do not hesitate to contact us.

Respectfully,

Erin Stucky

Erin Stucky, LSCSW
President, KVC Behavioral Healthcare

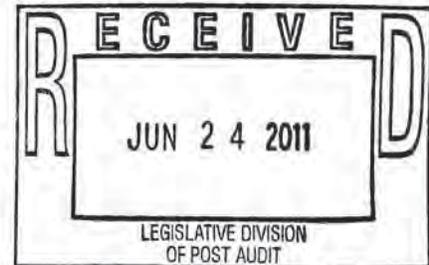


**Saint
Francis
Community Services**

Serving Children and Families Since 1945

June 23, 2011

Mr. Scott Frank, Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212



Dear Mr. Frank:

Thank you for your letter dated June 14, 2011 and the draft copy of your completed performance audit, ***Foster Care: Reviewing Selected Issues Related to the Compensation and Oversight of Foster Care Contractors***. As a Child Welfare Agency involved in the Legislative Post Audit, Saint Francis Community Services, appreciates the opportunity to respond to several points made in the Audit Report. Enclosed is a copy of our written response to certain points identified in the draft report. We also appreciate the opportunity to attend the Legislative Post Audit Committee meeting when the audit is presented and respond to any questions the Committee may have, or to provide such response as appropriate.

On behalf of SFCS, we thank you and your staff for the professionalism displayed in the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward W. Fellhauer". The signature is fluid and cursive.

The Very Rev. Edward W. Fellhauer
Chief Executive Officer/President/Dean
Saint Francis Community Services, Inc.

Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of Foster Care Contractors

Saint Francis Community Services would like to respond to the following areas addressed in the Draft Report of the Legislative Post Audit.

“Foster care contractors’ monthly per-child rates are between \$150 and \$280 more than the costs of services.”

As stated in the report, average monthly costs were estimated by using only the referrals between July 1, 2009 and February 28, 2011. The children referred prior to July 2009, who were still in an out-of-home placement (OOHP) during this time period, were not included in this calculation. The average placement cost for these children, for the same time period, is significantly higher than those used for this estimate.

Since all costs were not included in the calculation and in some instances estimates were used, the comparison does not reflect the actual total costs. Additionally, contractors are not paid on all children because those children referred and returned home in the same month receive no payment and children that re-entered OOHP after reaching permanency receive no payment.

Since February when the LPA data collection ended, numerous budget reductions, cost cutting measures, and higher fuel costs have increased monthly costs. There has been a change in the methodology for screening and rescreening children into Medicaid paid Psychiatric Residential Treatment Facilities (PRTFs), which has greatly reduced the number of children in Region 4 going into PRTFs. These children require a higher and more expensive level of placement. This impact has been greater in Region 4 than the other regions. This trend has gotten progressively worse each month causing placement costs to rise, driving the current costs of services much closer to the monthly per-child payment rate.

“SRS Staff Don’t Always Act to Correct Problems Because the Agency Has Taken a Hands-Off Approach”

Saint Francis Community Services (SFCS) continues to work closely with Regional SRS staff to improve performance and outcomes for children in out-of-home care. We have regular scheduled meetings with the Regional Program Administrators from SRS and their staff throughout the year. SRS asks for, expects and monitors results from SFCS when there is need for improvement on contract outcomes. SFCS develops and implements the performance improvement initiative and SRS monitors progress. This has worked out very favorably as SRS maintains the monitoring role and SFCS, as the Region 4 contractor, provides case management and services to children and families.

SRS and SFCS have worked closely together to improve child welfare outcomes statewide. After completion of the 2nd round of the CFS review, the ACF Children’s Bureau Region VII in cooperation with SRS, entered into a two-year Performance Improvement Plan (PIP) committed

to making changes in the child welfare system. Kansas successfully completed its PIP goals of increasing the timeliness and permanency of reunification, and improving the rate of placement stability. With SRS and the contractors working together, Kansas was the second state to accomplish achievement of the PIP. The completion of the PIP requirements allowed Kansas to draw down the additional \$729,091 available if PIP goals were achieved.

SFCS has also been working closely with Regional SRS staff to complete the “**Safe Reduction of Children in Care of the Secretary of SRS**” plan. This plan utilized prevention programs to divert children from SRS custody. The plan also focused on reducing the time in out-of-home placement for children in foster care. The plan was designed to create an overall reduction in the number of children in foster care in Kansas. This plan required joint community meetings with SRS, SFCS and Stakeholders to create alternatives to out-of-home placement and develop services to help divert children from foster care.

One area that SRS and SFCS have been focusing on is timely reunification and adoption. As an agency, SFCS tracks “reason for removal” for all out-of-home placements. In an effort to meet the timely reunification expectation of 12 months, SFCS reviews the different reasons for referral to see if any of the reasons for removal resulted in a more lengthy stay in foster care.

Parent substance abuse was the most common reason for removal, as well as one of the reasons that children remain in OOHP longer than 12 months. Children with parents involved in drug and alcohol use remain in OOHP longer than children with other entering reasons. It is one of the more common barriers in getting children home. National statistics show children of substance abusing parents stay in foster care an average of 26.8 months compared to an average of 10 months for other children in care (Center for Alcohol and Substance Abuse). In Region 4, over 22% of referrals involved drug and alcohol abuse which have a substantial impact on outcomes.

Substance abuse and/or the sale of illegal drugs, especially methamphetamine, are some of the most common reasons for children being removed from their home in Region 4. It is also the greatest barrier to timely reunification and maintaining children once they have returned home. In Region 4, we work with 53 different courts with 51 magistrate judges. The diversity of judicial expectations greatly impacts our ability to meet outcomes. Courts expect strict adherence to sobriety and participation in assessments, services, and random drug testing. Many parents relapse or fail to get a timely start in demonstrating a consistent pattern of sobriety for the case managers and court by the time 12 months has passed. Even if all other safety factors remain intact the courts tend to have zero tolerance for relapse, delaying reunification, and frequently removing children who have achieved reunification.

Citizen and consumer focus groups conducted by SFCS and SRS confirm the need for early intervention and prevention when addressing substance abuse issues. Involving parents quickly in drug and alcohol programs and continued involvement in programs aimed at maintaining sobriety may be the best ways to increase the number of timely permanencies. Many parents

cannot afford substance abuse treatment. Recent changes in funding for alcohol and drug abuse programs are making it difficult for parents to readily access treatment. In western Kansas, there is a lack of drug treatment options and those available may mean miles of transportation which can create financial difficulties and logistic issues, including an inability to retain employment while receiving treatment. Western Kansas has a high incidence of drug and alcohol abuse. Methamphetamine use is also high in this area. It is important that adequate drug and alcohol services, as well as mental health services, are available in rural areas of Kansas in order to improve outcome measures.

SFCS has implemented a number of processes to achieve timely permanencies. Our Performance Improvement Department works with each of our offices and SRS to identify barriers that may be preventing timely permanencies and putting a plan in place to improve on those outcomes. SFCS has made significant improvement in this area and anticipates achieving this outcome. Even with the lack of services in rural Kansas, Region 4 performs comparable to the other regions.

“Overall, Kansas’ Performance on National Standards for Length of Stay in Foster Care Appears To Be Average”

The LPA report focused on timely permanency outcomes and based on that analysis made general statements about the foster care system. There are several other equally important child welfare outcomes essential to a good child welfare system. When the Administration for Children and Families evaluates state Child Welfare Program outcomes, there is equal importance given to all outcomes associated with safety, permanency and well-being. What the LPA audit report does not include is the importance of the safety outcomes when evaluating timely permanency. It is essential that the safety and well-being of children not be jeopardized when reducing the length of stay.

Kansas ranks above average in several of the national timeliness guidelines while performing at the top of national safety standards. Kansas currently meets the timely reunification standard of 69.9% with a performance of 70.4% according to SFY 2011 Child Welfare Portrait report as of March 31, 2011. In the most recent Child and Family Services Reviews (CFSRs), Kansas ranked 2nd out of all states in the area of safety. Additionally, Kansas ranked in the top 5 states in 4 of the 7 composite CFSR outcomes.

Our agency felt it was important to clarify that when the outcomes associated with safety, permanency and well-being are compared with other states, Kansas does exceptionally well. Kansas is one of the top states in the nation when comparing all outcomes.

We appreciate the opportunity to include our comments and will continue to provide the quality and responsive care our consumers deserve.

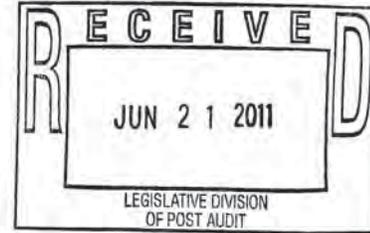
TFI Family Services, Inc.



Building Brighter Tomorrows for Families and Children

June 21, 2011

Mr. Scott Frank
Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212



**RE: Draft Performance Audit
Foster Care: Reviewing Selected Issues Related to Compensation and Oversight of
Foster Care Contractor.**

Dear Mr. Frank:

Thank you for your letter of June 14, 2011 and the accompanying copy of the above-referenced draft report. On behalf of TFI Family Services, Inc. (TFI) we appreciate the opportunity you have extended to submit a response.

1. Does the manner in which foster care contractors are compensated cause them to keep children in the foster care system longer than needed?

Your determination that the compensation structure has no effect on the out of home length of stay for children is acknowledged and in our opinion supported by the audit methodology. As the report indicates there are a variety of external factors that do affect the length of stay, and those factors identified in your report certainly play a significant role. The risk-based contracts dictate that the contractors utilize best practices of both child welfare and business principles to work with these external factors to reach the best practical outcomes for children and families. The presence of these external factors also has an effect on the variability of system expenses over an extended period of time. The audit methodology chosen utilized in part a comparison of a portion of the estimated costs incurred for the care of children to the variable portion of the compensation structure over a set period. Such methodology would seem reasonable to address the question under applicable auditing standards. However, as the report correctly points out, the audit methodology did not attempt to determine the full array of system costs. The report does though reinforce that TFI remains the best available cost option. TFI prides itself on taking a conservative approach to financial accounting to identify the best cost proposal possible as well as in the transparency and accuracy of its records. This accuracy has repeatedly been recognized over the years by outside auditors as a result of their financial review. As noted by the report financial stability is essential to contract success, and the equitable balance sought for cost effective services is maintained through a true competitive bidding process.

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TFI Family Services, Inc.



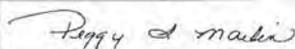
Building Brighter Tomorrows for Families and Children

2. Are the current safeguards for overseeing the services of foster care contractors adequate?

This question is, of course, principally directed to SRS. We share the belief expounded by the audit that SRS has sound processes. These processes were reflected in the second round outcomes of the CFSR issued in the fall of last year where Kansas is at the top in comparison to other states in information systems, quality assurance and community responsiveness. However, we do not believe that we would necessarily characterize SRS as having a “hands-off” approach. Rather TFI’s experience has been and continues to be that we work in partnership with SRS to achieve the best possible results. Some problem areas were noted by the report in the achievement of certain outcomes. It was gratifying though, that through omission TFI was shown to have been the only contractor achieving the particular outcomes cited in its contract regions. The audit was particularly concerned with children staying in the system longer than required. An outcome that is insightful is that for children who leave the system due to emancipation or reaching age 18 the national median is that almost 50% (47.8%) of those children have been in the foster care system in excess of 3 years. Kansas does much better at 36% and for TFI even less of the children entrusted to our care have exceeded this 3 year standard (32.9% in Region 3 and 16.7% in Region 1). Clearly children in Kansas do not languish in the system until they age out. Another significant outcome is the achievement of reunification in less than 12 months. Currently TFI achieves this outcome 78.2% of the time in Region 3 and 75.5% of the time in Region 1 far exceeding the national median which is at 69.9%. In addition both of TFI’s contract regions lead the State in the lowest median length of stay in foster care. Kansas has many other successes nationally. The previously mentioned CFSR placed Kansas first in preserving the continuity of family connections and enhancing the family capacity to meet its needs, second in children protected and fourth in children having permanency and stability in their living conditions. We are very glad to work and partner with SRS to help in making Kansas a leader in child welfare. While there are a multitude of successes in Kansas any system can always improve. In this regard while we are pleased with TFI’s successes in meeting state and federal standards we still strive to improve and, therefore, TFI concurs with your recommendation of having region specific improvement plans when regions do not perform to contract expectations.

Once again thank you for the opportunity to review and comment on the draft report. We appreciate the work and diligence exhibited by your staff on this project.

Very Truly Yours,



Peggy S. Martin
Chief Executive Officer

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June 17, 2011

Scott Frank
Legislative Post Audit
800 SW Jackson
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Topeka, KS 66612-2212



Dear Mr. Frank:

This correspondence is in response to the LPA report dated June 14, 2011. Per your request, we are providing a written response to the report. We have received the report and appreciate the thorough responses to the two questions researched. While we generally agree with of the findings in this report, we do have several points we would like to make in reference to certain statements made in the report.

The first point we would like to make is in reference to the last sentence of the bulleted paragraph beginning with **"By December 2007 SRS dropped the tiered payment structure....."** on page D-4. This sentence reads **"Contractors had found the tiered payment structure to be burdensome and difficult to predict and budget for."** While we do not disagree with the last part of the sentence that this payment structure was difficult to predict and budget for, we do not necessarily agree it was always burdensome. Conversely, this payment structure could be positive if a high number of children were referred during a given month and were in the first payment tier for the following six months. This is exactly what happened in Sedgwick County. Because of some wording changes in the CINC code around the amount of time allowed for abuse investigations, we received an extremely high number of referrals during a 3 to 4 month timeframe; therefore, payments were higher than what had normally been experienced. However, this was not beneficial to the state and the state experienced a negative financial impact due to the high number of youth in Tier 1 and thus the higher payments for six months. We believe this was part of the reason the state changed the payment structure and was not solely due to hardship on contractors. Obviously, had the payment structure not changed, we would have experienced a negative financial impact should any of those children referred during that time stayed in the system past twelve months. But the payment structure changed before that time. We simply highlight this issue as a point of clarification based on our experience and, hence, our perception.

The second point we would like to make, which is in fact one we do not agree with, concerns a statement made on page D-6. The first half of the sixth paragraph reads as follows: **"The contractors margins are actually much greater for most of the children they serve, because most children are placed in low-cost settings. Contractors have discretion on what type of placement to place a child in (e.g., residential, foster home, institution), but the placement must address the child's needs."**

While it is true most children are in lower cost placements, there are differences in terms of the composition of "low cost placements" from contractor to contractor and court system to court system. For example, some contractors have more children in kinship placement than others. Youthville does not have as many children in kinship placements due to the nature of our court system and the significant scrutiny that they require for any kin placement. This has been an area where we have specifically focused and for which we have created a performance improvement plan. However, despite our continued efforts at changing this, we still face regular challenges in this regard and receive legal motions to appear in court on a fairly frequent basis relating to our desire to place children in kinship placements.

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Scott Frank
Page 2

Kinship placements typically cost less per day than youth placed in foster homes. We do want to point out some additional nuances of this statement.

In addition, regarding the same sentence, we do disagree with the last part of this sentence... **"Contractors have discretion on what type of placement to place a child in (e.g., residential, foster home, institution), but the placement must address the child's needs."** It is correct contractors do choose most of the placements for children. However, as mentioned before we at Youthville do not have total control over youth going into kinship homes. Likewise, and more importantly we, nor any contractor, have any control over placement into Psychiatric Residential Treatment Facilities (PRTF's). We can make a recommendation for such a placement but the sole authority and gate keeping responsibility for placement in this level of care rests solely with the community mental health centers (CMHC's). The CMHC's screen for admission into a PRTF, and screen every 60 days for continued stays, thus, approving a child's exit as well as admission. Therefore, contractors do not have any control over this level of care placement. In Sedgwick County, Youthville has very, very few children admitted to PRTF's. We usually have between 2 and 5 children in a PRTF at any given time. This is, by far, the lowest admission rate of any contractor to PRTF's. This significantly impacts our cost of care for placement, since PRTF placement is paid directly by Medicaid, not the contractor. When fewer youth are in PRTF, it costs Youthville significantly more since all other placements, except hospitalization, must be paid by the contractor out of the case rate.

Additionally, contractors do not screen into psychiatric hospitals either. This would include state institutions as well as private hospital facilities. CMHC's also screen for that level of care as well. Lengths of stay are typically very short for hospitalizations, and have become shorter and shorter for PRTF's, over the last several years as well.

The last point that we want to make is in reference to page D-13 and the issue concerning SRS staff not acting to correct problems regarding contractor's failure to achieve outcomes. It may be true SRS typically has a hands off approach; however, I know Youthville has been contacted by the local office and central office regarding certain outcomes; such as timely permanency. More importantly, although SRS does not request a formal corrective action plan, it should be noted that Youthville is constantly monitoring all of our outcomes and actively working toward performance improvement through very specific quality improvement plans for outcomes we do not achieve. This has been a regular practice at Youthville since the outset of the contract's existence. This process has become progressively strengthened since the creation of a Quality Management Department in 2003. Since Youthville is Joint Commission accredited (TJC), continuous quality improvement is an expectation for all programs at Youthville. We, therefore, take all outcomes very seriously and monitoring and reporting is part of our culture. Outcomes are reviewed at the Leadership level on a regular basis as are the performance improvement plans. We would be happy to share these at any time with SRS or LPA.

This concludes our response to the LPA report. We appreciate the opportunity to work with Brad and his staff. Their communication with us was excellent and they were very willing to analyze any additional information we provided. We understand their work was challenging as the field of child welfare is very complex and difficult. We appreciate the opportunity to review and respond to the report. Should you need any additional information, please feel free to contact me at 316-529-9127 or sduncan@youthville.org.

Sincerely,


Shelley Duncan
President & CEO